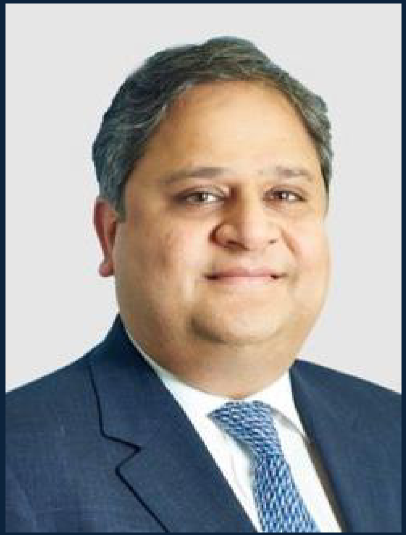
Global perspectives

Insights on financial services regulation

KPMG. Make the Difference.

May 2025

Regulatory compliance in a changing world



Karim Haji

Global head of financial services.

KPMG International.

The last few months have seen extraordinarily rapid changes in the geopolitical landscape, and conditions remain turbulent. Economic uncertainty and increased market volatility have reinforced the need for financial stability and resilience. At the same time, governments are targeting growth and competitiveness in both domestic and international markets, with calls to regulators to reduce red tape and unnecessary burdens on firms.

These tensions pose challenges for financial services regulators and the firms they oversee.

Some initiatives have already been put forward to drive simplification in rulebooks, enhance proportionality, streamline regulatory engagement and reconsider requirements that may no longer be fit for purpose.

As local priorities take center stage, we are also seeing a trend towards deglobalization, with increased potential for regulatory divergence and fragmentation in some areas.

Firms will likely welcome moves to remove unnecessary bureaucracy and make regulation more proportionate, responsive and transparent. However, uncertainty and fragmentation may make it more difficult, in the immediate future at least, to anticipate and plan for regulatory change, particularly for institutions operating on a global scale. Firms should be vigilant for new developments whilst maintaining appropriate levels of compliance with existing requirements.

That said, the fundamental regulatory objectives of protecting consumers, maintaining orderly markets and ensuring financial stability remain. This is the moment to ensure that governance, risk management, controls and systems are robust, resilient and fit for the future. And, as in any period of significant change, there are exciting opportunities for innovation that could benefit both customers and firms, including through the safe adoption of new technologies, to drive efficiency, reduce costs and future-proof infrastructure and business models.

Karim Haji

Global Head of Financial Services.

Global regulatory themes

Although regional and local approaches to policy-making vary, the following themes appear consistently in many regulatory and supervisory workplans across the globe:

Maintaining financial stability

Global financial stability is more critical than ever in the current environment of uncertainty, potential trade wars and high volatility. Central banks and prudential regulators are keen to ensure robust levels of capital and liquidity in the system and plan for controlled exits.

Promoting growth and competitiveness

Financial regulators are being called upon to support government efforts to boost growth and competitiveness in their respective jurisdictions – this may reduce the regulatory burden on firms but could also lead to divergence in regulatory approaches.

ICT and cyber resilience

With the financial services sector now increasingly interconnected and technology-dependent regulators are focused on vulnerabilities and the potential for contagion across the system. External threats are increasing whether from cyber attacks or other factors such as climate risk.

Protecting consumers

Regulators need to balance the challenge of contributing towards the growth agenda with maintaining appropriate consumer protection measures. This includes efforts to encourage retail investors to participate in domestic equity markets and private assets.

System-wide resilience

Given significant growth in the asset management industry, and private assets in particular, authorities are increasingly monitoring potential vulnerabilities across the financial system (for example, around valuation) – and their potential impact on the real economy.

Governance and accountability

Accountability frameworks are being introduced and updated, and product governance expectations tightened. Recent market conditions have once more highlighted the need for robust governance arrangements to help deliver good decisions in challenging environments.

Artificial intelligence and digital innovation

Policymakers around the world are taking different approaches and moving at different paces in the regulation of AI and digital technology. Regulatory frameworks are being adjusted to support the use of DLT and regulate cryptoassets.

ESG and sustainability

With the new US Administration in place, global views on ESG and sustainability regulation have diverged. However, for investors, global interoperability of standards and transparency, accuracy and completeness remain priorities. Policy development has slowed, and some reporting and disclosure requirements may be simplified.

Global soundbites

Observations from KPMG professionals around the world…

How much regulation is enough?

Against a backdrop of increasing geopolitical instability, escalating cyber threats and competing growth agendas, there is pressure on regulators to maintain financial and operational resilience in their sectors and wider economies, whilst also supporting efforts to cut red tape and simplifying rulebooks. Are these objectives fundamentally conflicted?

Balancing risk and innovation

Different regulatory models are emerging around digital technology and AI with much discussion on how AI should be regulated. What will be more effective and able to keep pace with innovation – new requirements (e.g. EU AI Act) or reliance on existing frameworks? And how should risk mitigation be balanced with fostering innovation?

Will private overtake public?

Policymakers want to boost capital markets by encouraging retail investment. But private fundraising is increasingly attractive. Regulators are monitoring the growth of the private assets sector and corresponding potential risks, whilst considering how best to allow retail investors private asset exposure in a controlled manner.

Do non-banks pose systemic risks?

Policy work to address perceived vulnerabilities in funds has progressed significantly. Some regulators are now shifting their focus to risks relating to leverage and private assets and are seeking to increase transparency through the introduction of new reporting requirements for funds.

Will the Basel standards still be global standards?

There is still uncertainty around the implementation of the final Basel reforms in the UK, EU and US. Knock-on impacts from US Administration and agency changes have caused further delays and increased industry concerns that the final US position may differ significantly from the rest of the world.

Refining ESG/sustainability requirements

While prudential requirements are being enhanced in the face of growing climate and environment-related risks there are also moves to simplify some disclosure requirements to reduce the burden on firms. Firm approaches are bifurcating too – some are going deep into the green while others are moving away from ESG altogether, with little in between.

Striking the right balance for customers

Calibrating appropriate levels of protection for retail customers is a common challenge across regions, particularly with the need to strike the right balance with supporting competitive markets through increased retail investment. How can regulators best enable customers to reach their financial objectives throughout their life, balancing investment risk and returns?

New conflicts of interest in life insurance?

Around the world, regulators are grappling with the implications of the increased share of PE-backed insurers and the transfer of legacy pension liabilities to the life insurance sector. Funded reinsurance, risk management of private assets and intragroup transactions are top of the supervisory worry list.

Can capital markets be digitalized?

There is a global move to reduce settlement cycles for securities to T+1. This move requires firms and market infrastructure to increase automation of their trading and settlement processes. Could more be done to eventually move to atomic settlement or T+0?

EU and UK regulatory landscape

This is a pivotal moment for financial regulators. Challenges abound, not least geopolitical uncertainty, economic pressures for growth and competitiveness in individual jurisdictions, the speed of digital innovation and a constantly evolving threat landscape.

Headlines around large-scale deregulation may be premature but, in some areas, there has been a slowing of policy activity or greater focus on simplification measures. Elsewhere however, supervisory intensity has ramped up and regulators are monitoring emerging risks in case further action is required.

Regulators are likely to find themselves under greater scrutiny to ensure that the regulatory burden is justified and proportionate, and needing to be more thoughtful about the impact of policy and supervisory decisions.

Against this backdrop, firms should continue to align their strategies and approaches with regulators' core priorities to build financially and operationally resilient business models and deliver good outcomes for consumers.

"Regulators in the EU and UK must strike a balance between supporting growth initiatives and maintaining robust standards – some simplification is expected but supervisory pressures in key risk areas will persist. Differences in detail across jurisdictions continue to add complexity for firms when monitoring and managing compliance."

Kate Dawson and Michelle Adcock
KPMG EMA FS Regulatory Insight Centre

Multiple, interlinked factors are contributing to regulatory change initiatives and resulting in pressure on financial services firms – the world is changing, and regulators are having to adapt.

In the UK and EU, there has been an easing of activity in some areas, as regulators pause to consider whether policy is having the intended impacts and how to respond to new mandates. It is possible that we have seen the last of the significant new frameworks and are entering an era of more targeted initiatives. There is also a drive to simplify and reduce regulatory burdens on firms where possible or at least ensure that they are proportionate. However, robust regulatory regimes continue to be viewed as a competitive strength and there will need to be careful consideration of the longer-term implications of any reduction or relaxation of rules.

Banking

Recent turbulence has focused attention on the stability of the global banking sector. Regulators are seeking to maintain financial and operational resilience in individual institutions and across the wider financial system. Robust risk management and governance remain paramount, and regulatory reporting, considerations of culture, fraud and financial crime, and ensuring good outcomes for customers are high on regulatory agendas. Climate and nature-related risks, the use of new technologies (particularly AI), and the impacts of the growing non-bank sector are being monitored. The UK and EU are streamlining MiFID II requirements and have taken steps to make primary markets more attractive.

Insurance

Against a backdrop of increasing geopolitical instability, escalating cyber threats and widening protection gaps, insurance regulators are committed to maintaining financial and operational resilience in their sectors and wider economies. Regulators are increasingly alive to emerging threats, including from the changing nature of the life insurance and pensions industries. Economic turbulence adds to the spotlight on general insurance underwriting pricing and reserving. There is also a challenge in balancing appropriate levels of consumer protection with calls for competitiveness, raising critical questions about how much risk and/or customer detriment is acceptable.

Wealth and asset management

Regulators continue to consider whether the overall regulatory framework for asset managers is adequate. The EU is now finalizing more detailed changes under the AIFMD II package and the UK proposing to reform the regulatory framework for AIFMs. Whilst private asset managers have experienced success in terms of driving inflows and generating returns, the rapid growth of this part of the industry has attracted greater regulatory scrutiny, resulting in both policy and supervisory initiatives. Having spent considerable time and resources implementing sustainable finance and investor protection regulations, European asset managers are now digesting incoming AI regulation and understanding how it applies to their own use cases.

US regulatory landscape

As was expected under the new Administration, 2025 has become a "Year of Regulatory Shift". New agency leadership as well as Executive Orders provide signals for the financial services industry.

Regulatory divergence and legal challenge will continue, driving high operational, risk and compliance challenges/ impacts and potential compliance and reputational risks.

Firms should remain vigilant and adaptable, balancing the diverse regulations and stakeholder interests to mitigate potential risks and align with evolving regulatory expectations.

Regulatory focus and actions have been impacted by agency leadership mission changes amidst the Administration's priorities in its first 100 days. Overall, there has been a drop in supervisory and enforcement intensity and increasing global regulatory divergence.

"Historic regulatory processes and norms are being challenged, with abrupt and voluminous regulatory shifts adding to business uncertainty. The growing regulatory divergence and fragmentation add another layer of complexity to establishing a clear path from strategy and operations to effective risk and compliance. This begs the question – will de-regulatory policy really equate to deregulation?"

Amy Matsuo
KPMG US Regulatory Insights Leader

Post-election regulatory shifts

Over 140 Executive Orders (EOs) have been issued by the new Administration to date – the most ever signed by a US president in the first 100 days. As expected, these have focused on cyber and information protection, financial and operational resilience, leadership in digital financial technology (including AI and cryptoassets), financial crime and fraud.

- **State vs Federal activity**: there has been a significant increase in legislative activity at state level, including in areas impacting financial services, e.g., many states are developing their own frameworks to regulate cryptocurrencies and digital assets, sometimes outpacing federal regulation and leading to a patchwork of requirements across the US.
- **Leadership shifts**: new leadership at financial service agencies is re-prioritizing missions and regulatory focus, with statements supporting the Administration's policy priorities. Parameters for future regulatory activity are being set.
- **Regulatory withdrawals**: agency regulatory withdrawals are expected to continue at a rapid pace. Historic regulatory process norms are being challenged.
- **Enforcement/lawsuits halted**: in addition to new rulemaking, new agency leadership is largely seeking to "pause" current enforcement/lawsuit activity.
- **Global pullback**: pullback and/or withdrawal from membership and/or participation in global regulatory groups (e.g., Network of Central Banks and Supervisors for Greening the Financial System).

Focus on core financial risks

- **Prioritization of safety and soundness in supervision/enforcement**: examiners will re-focus on areas such as market-, credit-, and capital-related risks.
- **Changes to the bank capital regime**: forthcoming changes may not reflect all the standards previously in the Basel III Endgame but rather those that regulators can "independently validate" and subject to public comment. Potential for supplementary leverage ratio changes to be addressed separately.

Simplification and tailoring

- **Reduction in net new rulemaking**: this is a core objective of the new Administration. However, the industry is yet to feel the benefits.
- **Renewed commitment to "regulatory tailoring"**: including consideration of:
  - Regulatory and supervisory "trickle-down" - where regulators may expect smaller banks to meet expectations designed for larger institutions; and
  - Multiple efforts to tailor regulatory expectations for community banks (e.g., capital, TPRM) and ease requirements for large banks (e.g., stress testing, resolution planning).

ASPAC regulatory landscape

The Asia-Pacific (ASPAC) region presents a complex and dynamic landscape for financial services regulation. Firms must navigate a diverse range of regulations, with different nuances and priorities.

A number of Asian regulators are active participants in the working groups established by global bodies such as the Basel Committee and are leading adopters of global standards.

Key overarching themes include:

Digitalization: ASPAC regulators are actively promoting the adoption of digital technologies in FS. This includes initiatives related to open banking, digital assets, fund tokenization and generative AI.

Operational resilience: the increasing use of digital technologies, combined with several recent public outages, is prompting regulators to revisit implementation of local operational resilience and third-party risk management frameworks.

Cyber security and data privacy: this technology trend, and the current geopolitical landscape, is also increasing regulatory concerns around cyber security and data privacy.

Sustainable finance: although ASPAC still lags the EU and UK somewhat, the growing importance of environmental, social, and governance (ESG) factors is driving an increasing number of regulatory initiatives.

Cross-border cooperation: recognizing the interconnectedness of financial markets, regulators are increasingly collaborating on cross-border initiatives to enhance regulatory coherence and address emerging risks.

Financial services firms in ASPAC need to adapt their business models, operations and risk management practices to comply with evolving regulations and capitalize on new opportunities.

Matt Tottenham
KPMG Australia

David Lonergan
KPMG China

Michael Monteforte
KPMG China

Adnan Raza
KPMG in Japan

Grace Tan
KPMG in Singapore

Cross sector

In a region known for being at the forefront of digital adoption, regulators are demonstrably supporting innovation with regulatory sandboxes and even grants for pioneering projects. Given the scale of advances, there is corresponding focus on managing the risks of new technology – including cyber resilience, operational resilience and data privacy. Designing appropriate regulatory frameworks to manage the risks of generative AI and digital assets is posing a particular challenge and will continue to evolve as use cases develop. More familiar risks also remain, similarly exacerbated by technology, and regulators are paying close attention to firms' AML and financial crime compliance, including measures to protect consumers from scams.

Banking

Given economic uncertainties and trade turbulence, regulators are focused on asset quality. Economic slowdown in China and contagion impacts across certain sectors are expected to lead to renewed scrutiny of credit risk management, including non-performing loans, potential default rate increases and the overall credit quality of banks' books. In addition to the cross-sector themes identified, the total volume of regulatory change is making it difficult for banks to prioritize initiatives. At the same time, firms are using this as an opportunity to consider overall balance sheet optimization.

Insurance

Capital planning and solvency assessments are high on regulators' agendas, with some insurers struggling to meet capital requirements and Japan preparing for implementation of the economic value-based solvency ratio (ESR) in 2025. Consumer protection, conduct risk and governance are also priorities across the region, with MAS enhancing the Policy Owners Protection Scheme and Australia bringing in the Accountability Regime. Operational resilience remains a concern, with particular focus on cyber risk. ESG initiatives are also beginning to mature.

Wealth and asset management

Managers in the region face a relatively disparate set of regulatory priorities. For example, sustainable finance policy developments, including fund labels and disclosures, lag Europe in some jurisdictions. At the same time, some supervisors are taking more assertive action (including enforcement action) against existing rules. Retail conduct is a common focus, with new rules covering topics such as fair dealing, suitability, fund liquidity and product governance. And some jurisdictions are introducing new requirements for financial and operational resilience, and accountability.

Contact us

EMA FS Regulatory Insight Centre

Kate Dawson
KPMG in the UK
E: kate.dawson@kpmg.co.uk

Michelle Adcock
KPMG in the UK
E: michelle.adcock@kpmg.co.uk

David Collington
KPMG in the UK
E: david.collington@kpmg.co.uk

Alisa Dolgova
KPMG in the UK
E: alisa.dolgova@kpmg.co.uk

US regulatory insight centre

Amy Matsuo
KPMG in the US
E: amatsuo@kpmg.com

Karen Staines
KPMG in the US
E: kstaines@kpmg.com

ASPAC FS regulatory professionals

Matt Tottenham
KPMG Australia
E: mtottenham@kpmg.com.au

David Lonergan
KPMG China
E: david.lonergan@kpmg.com

Michael Monteforte
KPMG China
E: michael.monteforte@kpmg.com

Adnan Raza
KPMG in Japan
E: adnan.raza@jp.kpmg.com

Grace Tan
KPMG in Singapore
E: grace_tan@kpmg.com.sg

Resources

KPMG Regulatory Barometer

The KPMG Regulatory Barometer identifies key regulatory themes and assesses the impacts of regulatory policy and supervisory activity on financial services firms. Published by the EMA FS Regulatory Insight Centre.

Regulatory Horizon tool

Powered by KPMG technology, the KPMG Regulatory Horizon provides news and insights to inform regulatory analysis and change management processes. It is based on live feeds from over 170 regulatory sources, curated by subject matter experts.

Evolving Asset Management Regulation

KPMG's Evolving Asset Management Regulation report provides a comprehensive overview of regulatory priorities, developments, and proposals affecting the asset management industry globally.

Ten Key Regulatory Challenges

The US Regulatory Insights team produces the Ten Key Regulatory Challenges report which assesses the shifts in regulatory intensity and impact across the sector.

Some or all of the services described herein may not be permissible for KPMG audited entities and their affiliates or related entities.

kpmg.com/regulatorychallenges

CRT161777B | May 2025